

AUDIT REPORT

CITY OF MANCHESTER

NEW HAMPSHIRE



Planning and Community Development Department
Fiscal Year Ended June 30, 2016

Prepared by
City of Manchester, NH
Office of the Independent City Auditor

**INDEPENDENT AUDIT REPORT
CITY OF MANCHESTER, NEW HAMPSHIRE
PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT
FISCAL YEAR ENDED JUNE 30, 2016
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October 5, 2016

Committee on Accounts, Enrollment and Revenue Administration
City of Manchester, New Hampshire
Honorable Aldermen: Levasseur, Hirschmann, Ludwig, Sapienza and Katsiantonis

Dear Honorable Committee Members:

Per the Independent City Auditor five year audit plan a performance audit of the Planning and Community Development Department's compliance with the City's policies and procedures over revenues and expenditures has been conducted.

I have completed my audit of the Planning and Community Development Department for the fiscal year ended June 30, 2016. My audit was conducted for the purpose of determining whether the department was complying with certain City policies governing the processing of expenditures and revenues.

This audit was considered a performance audit in accordance with generally accepted government attestation standards. Those standards require that I plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for my findings and conclusions based on my audit objectives. I believe that the evidence obtained provides a reasonable basis for my findings and conclusions based on the audit objectives.

Scope and Audit Objectives

- This engagement was to be a performance audit of the Planning and Community Development Department's compliance with certain City's policies and procedures over revenues and expenditures during the fiscal year ended June 30, 2016.

Procedures

The engagement procedures began with interviews of officials and employees at the Planning and Community Development Department.

I reviewed the City and Department policy and procedures manuals as well as the City of Manchester Code of Ordinances for possible compliance points.

I reviewed financial information from the HTE financial information system for the past 5 fiscal years.

I evaluated the department's system of internal and management controls over financial and program objectives.

I sampled expenditures and revenues for testing of compliance points and control points to test the effectiveness of the control system in place at the department during the audit period.

Findings and Conclusion

My audit revealed the following minor observations:

Observation-1 CERTIFICATE OF COMPLIANCE TRACKING

Observation-2 ERRORS IN UNAUDITED CAFR SCHEDULE

Except for the observations noted above the Planning and Community Development Department appeared to be in compliance with certain City policies over expenditures and revenues during the audit period.

Respectfully Submitted,

Kevin Buckley, CPA
Internal Audit Manager

CITY OF MANCHESTER PLANNING AND COMMUNITY DEVELOPMENT DEPARTMENT

The City of Manchester Code of Ordinances chapter 149 and pursuant to the City Charter section 3.02 there is established in the City of Manchester a Planning and Community Development Department headed by the Director of Planning and Community Development who is appointed as provided by the City Charter chapter 3.03.

The Department is responsible for the administration, interpretation and enforcement of all codes and regulations pertaining to the Offices of Inspectors of Buildings and the administration, interpretation and enforcement of land use codes and regulations.

The Department provides staff support to the Zoning Board of Adjustment and shall administer the processing of variances, special exceptions and administrative appeals under the direction of the Zoning Board of Adjustment.

The Department consists of four divisions:

- Construction Administration Division
- Code Enforcement Division
- Land Management Division
- Community Development Division

Programs and Operations

- Building Plan Review and permit approval
- Field Inspections and records maintenance
- Code review and update
- Permit application processing
- Certificates of Occupancy
- Aid in the development of the City Master Plan
- Administration of land use regulations
- Provide Staff support to the Zoning Board of Adjustment, Planning Board, Millyard Design Review Committee, and the Heritage Commission.
- Housing Code Ordinance Administration
- Certificate of Compliance inspections and issuance
- Resolution of Zoning Ordinance violations
- Assist in the development and management of the Community Improvement Program (CIP).
- Manage funding from the U.S. Department of Housing and Urban Development

Mission Statement

Plan and Manage the development of the City of Manchester in a manner that ensures a healthy economic base, safe and livable neighborhoods, cultural opportunities and quality public facilities.

Personnel

As of June 2016 the Department employed 33 employees.

2016 GENERAL FUND BUDGET TO ACTUAL

REVENUES

Description	Budget	Actual
Sign Permit	\$ 30,000.00	\$ 34,013.00
Yard Sale Permit	\$ 4,000.00	\$ 2,495.00
Elevator Permit	\$ 1,000.00	\$ 300.00
Building - Permits	\$ 890,000.00	\$ 1,384,514.56
Electrical - Permits	\$ 165,000.00	\$ 252,993.46
Plumbing - Permits	\$ 100,000.00	\$ 151,173.25
Heating - Permits	\$ 155,000.00	\$ 185,259.95
Certificate of Compliance	\$ 360,000.00	\$ 470,547.63
Subdivision	\$ 40,000.00	\$ 35,155.00
Conditional Use Permit	\$ 20,000.00	\$ 7,690.00
Site Plan - Base Fee	\$ 75,000.00	\$ 145,187.60
Mergers	\$ 2,500.00	\$ 2,000.00
Neighborhood Stabilization Program	\$ -	\$ 269,907.57
Community Development Block Grant	\$ 300,000.00	\$ 36,655.27
Home Investment Program	\$ 40,000.00	\$ 10,928.96
Emergency Shelter Grant	\$ 10,000.00	\$ 6,817.00
Archive Record Retrieval	\$ 5,000.00	\$ 6,872.15
Copying Receipts	\$ 5,000.00	\$ 210.00
Zoning - All Other	\$ 68,000.00	\$ 71,725.00
Planned Dev	\$ 4,500.00	\$ 2,690.00
Miscellaneous Reimbursement		\$ 54.33
	<hr/> \$ 2,275,000.00	<hr/> \$ 3,077,189.73

2016 GENERAL FUND BUDGET TO ACTUAL

EXPENDITURES

Description	Budget	Actual
Regular Salary	\$ 1,858,012.00	\$ 1,772,026.37
Staff Development	\$ 2,700.00	\$ 2,531.50
Data Processing	\$ 800.00	\$ 356.00
Maintenance & Repair/ Mach/Equip	\$ 500.00	\$ 481.50
Rental Machinery & Equipment	\$ 7,000.00	\$ 4,241.12
Telephone	\$ 13,500.00	\$ 9,252.72
Postage	\$ 16,000.00	\$ 16,000.00
Advertising	\$ 4,000.00	\$ 2,973.41
Printing, Publishing, Binding	\$ 3,500.00	\$ 3,269.04
Travel, Conferences & Meetings	\$ 3,000.00	\$ 1,390.00
Mileage Reimbursement	\$ 150.00	\$ -
Duplicating Services	\$ 5,000.00	\$ 4,910.82
General Supplies	\$ 7,200.00	\$ 8,484.08
Graphics	\$ 800.00	\$ 45.36
Graphics	\$ 10,000.00	\$ 20,000.00
Gas, Oil & Diesel Fuel	\$ 15,500.00	\$ 12,178.39
Graphics	\$ 200.00	\$ -
Books	\$ 1,800.00	\$ 1,799.95
Periodicals	\$ 500.00	\$ 443.69
Dues, Fees, & Licenses	\$ 5,500.00	\$ 4,853.00
Equipment	\$ 25,000.00	\$ 24,920.73
Health Insurance		\$ 419,854.98
Dental Insurance		\$ 24,034.51
Life Insurance		\$ 1,542.71
Disability Insurance		\$ 1,454.08
City Contributory System		\$ 402,588.29
FICA		\$ 129,928.12
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	\$ 1,980,662.00	\$ 2,869,560.37

SOURCE: HTE Financial System budget to actual report

NOTE: Health, Dental, Life Disability, Retirement and FICA are not budgeted at the Department level.

EXPENDITURE TESTING

For testing purposes I randomly selected 30 payroll and benefits expenditures and 30 non-payroll expenditures for testing. Testing consisted of determining if the internal and management controls that were in place were working as designed and to determine if the correct amounts were paid, posted to the correct account and posted in the correct time period. In addition I determined if the expenditure was made in accordance with other related City policies.

My test work revealed no instances of non-compliance with any of the tested compliance points tested and that the system of internal and management controls appear to be working as designed.

REVENUES TESTING

The Department collects revenues from three main sources:

- Issue of permits for new construction/renovation, electrical, plumbing, demolition, heating, yard sales, signs
- Federal Grant Revenues from various Housing and Urban Development grants such as CDBG block grant, Home Investment Program, and Emergency Shelter Grant.
- Certification of Compliance upon a safety inspection for all rental units in the City.

PERMITS

During FY 2016 the Department issued approximately 7,000 permits for various activities mostly involving new construction and renovation work. I tested a sample of 30 certificates issued during the year to determine if the correct amount was charged, proper inspections were done when needed and amounts posted to the correct revenue code in the correct amount.

My testing revealed no instances of non-compliance with any of the related ordinances or City Policies selected.

FEDERAL GRANTS

The Department collected \$317,492 of federal assistance from the Department of Housing and Urban Development during FY 2016. Monthly the Department prepares a drawdown of federal funds based on HTE reports. I selected one monthly draw down and traced all amounts back into the HTE system and supporting documentation. The draw down appeared to be based on correct and supported amounts and charged to the correct grant in the correct amount.

CERTIFICATION OF COMPLIANCE

All rental units in the City of Manchester must be inspected by the department every three years for adherence the City's Housing Code. The Department conducts inspections with seven Code Enforcement Officers. In addition to the regular inspections the seven inspectors also handle investigations of citizen's complaints and tenant complaints. During FY 2016 the department conducted 2,413 inspections of which 31 were citizen complaints and 15 were tenant complaints. My testing of certifications noted the following condition.

OBSERVATION 1: CERTIFICATE OF COMPLIANCE TRACKING

Observation:

The City of Manchester Code of Ordinances section 150.100 requires that anyone operating a rental unit have a Certificate of Compliance from the City. The property owner applies for the certificate and staff from the Planning and Community Development Department conducts an inspection of the property to ensure it is in compliance with the City's housing code. When the property passes the inspection the permit is issued and is good for a term of three years. At the end of the three years the owner of the property must apply for a renewal based on an inspection by the department.

While it is up to the owner to apply for a certificate of compliance, the department must ensure that all units are inspected and the renters are living in adequate safe housing. Due to the large number of units the department needs a computer system that is able to track and report on all units in the City and notify the department when a unit is out of compliance with the Certificate requirement.

The department tracks the units in a module of the HTE financial system. Based on my observation the module lacks the ability to adequately track and report on the properties. In order to schedule inspections the department uses a paper filing system and must review the files manually to determine if any properties are due an inspection. All the information needed appears to be in the system however it lacks a report function to automatically notify the department in a timely manner when an inspection is due or the status of properties that are currently being inspected.

I randomly selected 30 properties for testing and found that on average the amount of time between when a certificate has expired and an inspection is scheduled averages 335 days. One property I tested did not have an inspection scheduled until 819 after the certificate had expired. Some of the time lag may be due to the high case load each inspector has assigned to them but some is due to the lack of functionality of the system being used.

Recommendation:

The department should work with the Information Systems Department in order to better use the computer system for automatically scheduling and notifying properties that have expired Certificates.

Auditee Response:

The Planning and Community Development Department agrees with the Auditor's findings in the matter. The issues related to lack of resources in inspector capacity and limitations of the computer system have long been recognized. To address these resources issues, the Board of

Mayor and Aldermen have through the FY17 Budget adoption provided funding to hire an additional Code Enforcement Inspector, and as well have authorized funding for implementation of a new computer operating system for the department. We anticipate that the new inspector will be on board and training will be essentially complete so as to allow for additional inspection capacity before the end of the calendar year. The process of evaluation and vendor selection for a new computer operation system has been completed, and a contract to provide the system has been signed. It is anticipated that full implementation of this system will be complete late in 2017.

My testing revealed no other instances of non-compliance with City policies.

I also tested controls over the handling and processing of cash receipts over the counter and through the mail and noted no instances of non-compliance with City procedures over cash handling.

OTHER MATTERS

During the preliminary planning phase of the audit the following condition was noted.

OBSERVATION 2: ERRORS IN UNAUDITED CAFR SCHEDULE

Observation:

The Planning and Community Development Department provides information on operating indicators to the Finance Department for inclusion in the City's Comprehensive Annual Financial Report (CAFR). The information on the number and value of building permits is included in the unaudited statistical section of the report. During my audit work it was noted that the information provided for calendar years 2014 and 2015 appeared to be about half of the prior year amounts. It was discovered that the reports used for these two years only included one half of the year's information. As the CAFR is issued prior to the end of calendar year 2015 the 2015 as noted on the schedule only includes ½ years data. It appears that prior to the 2015 CAFR being issued the CY 2014 numbers were never updated.

As the Planning and Community Development Department provided the correct information and all the departments' operating information in the CY 2014 column appears to consist of only ½ year data, this appears to be an error of the Finance Department when they were compiling information for the CAFR .

Recommendation:

All Departments should check the data included in the CAFR schedules to ensure that the Finance Department has included the correct information. The Finance Department needs to improve its procedures over updating this information to ensure that it is complete and accurate.

For this year's CAFR a corrected schedule should be updated by the Finance Department so that all years presented are showing the correct amounts.

Auditee Response:

Finance Department Response

The Finance Department prepared the unaudited ten year statistical schedule contained on page 130 of the FY 2015 CAFR. We did update FY14 with twelve months of information but unfortunately due to a misunderstanding with our auditors the FY14 information in the FY15 CAFR was not updated. We have spoken with our auditors, Melanson Heath, and we are all confident this misunderstanding will not reoccur.

AUDIT CONCLUSION:

Based on the test work performed, except for the two minor observations noted in the report it appears that the Planning and Community Development Department is complying with City policies relating to revenues and expenditures. It also appears that the Department's system of internal and management controls over revenue and expenditures was adequately designed and operating as designed.